

New Directions in Private Equity

Date: Tuesday, April 30th, 2013

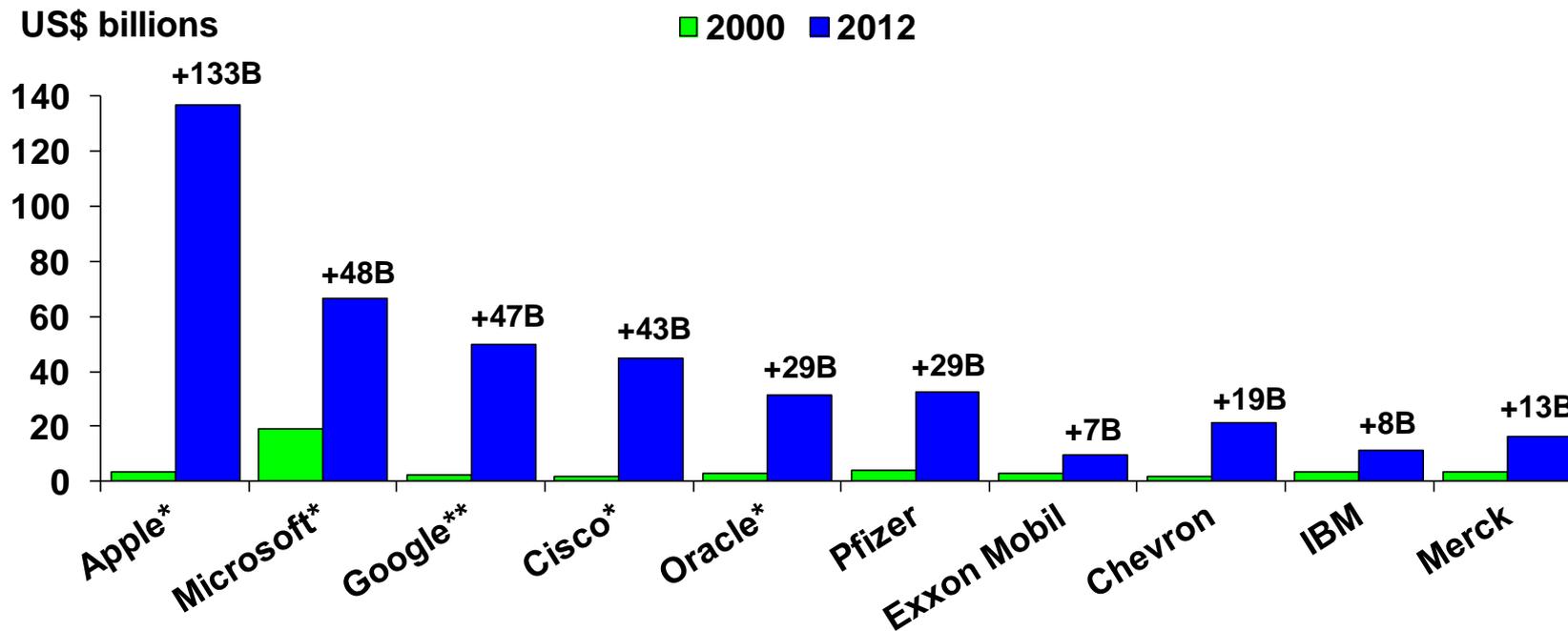
Time: 09:30 AM – 10:30 AM

Room: International Ballroom

MILKEN INSTITUTE



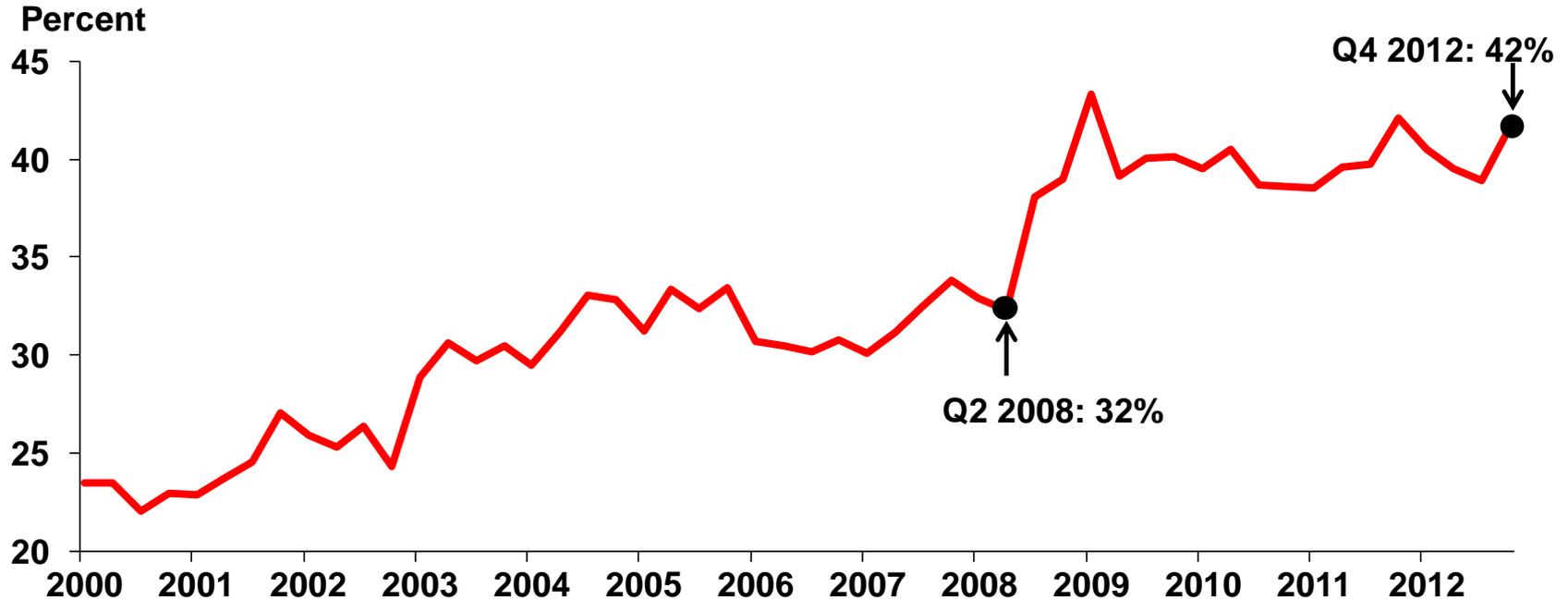
U.S. companies are accumulating cash



Source: Bloomberg; Milken Institute.

Acquiring companies are holding large amounts of cash

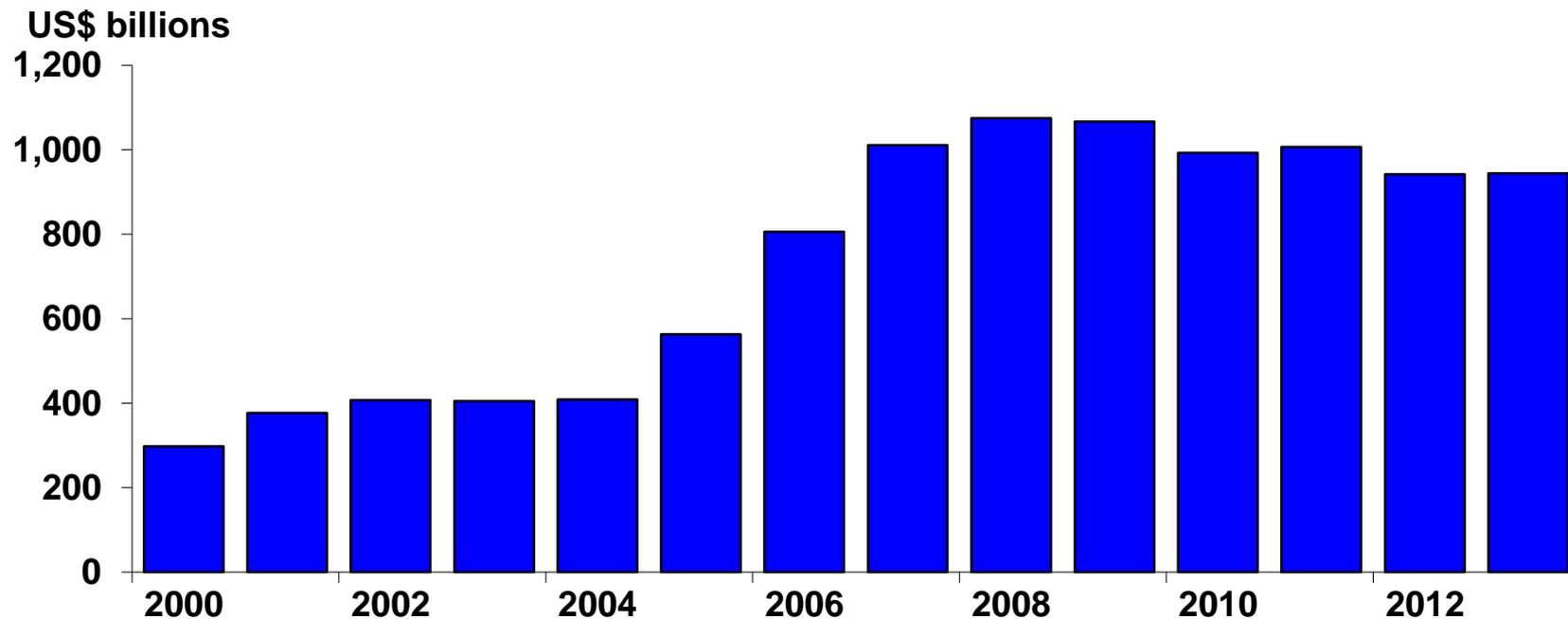
Percent of total current assets, S&P 500 companies



Source: Bloomberg; Milken Institute.

Private equity firms are holding high levels of uncalled capital

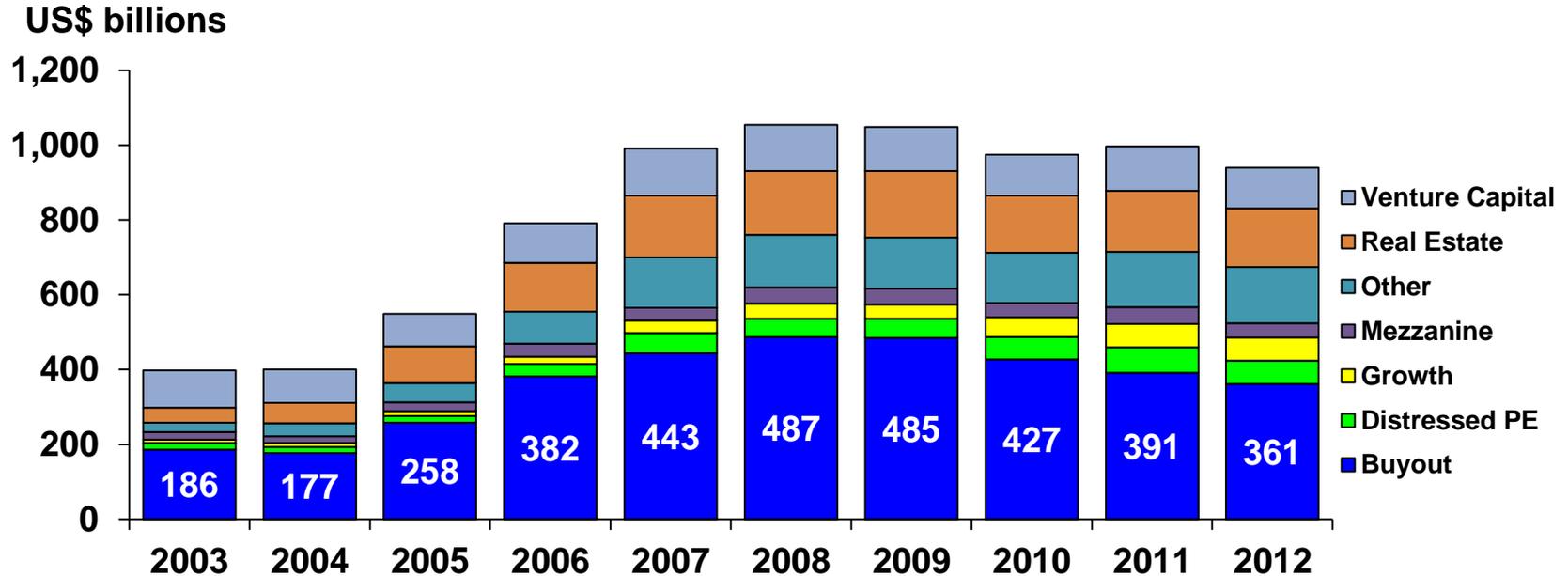
Total uncalled commitments (dry powder)



Source: PEGCC.

Private equity firms are holding high levels of uncalled capital

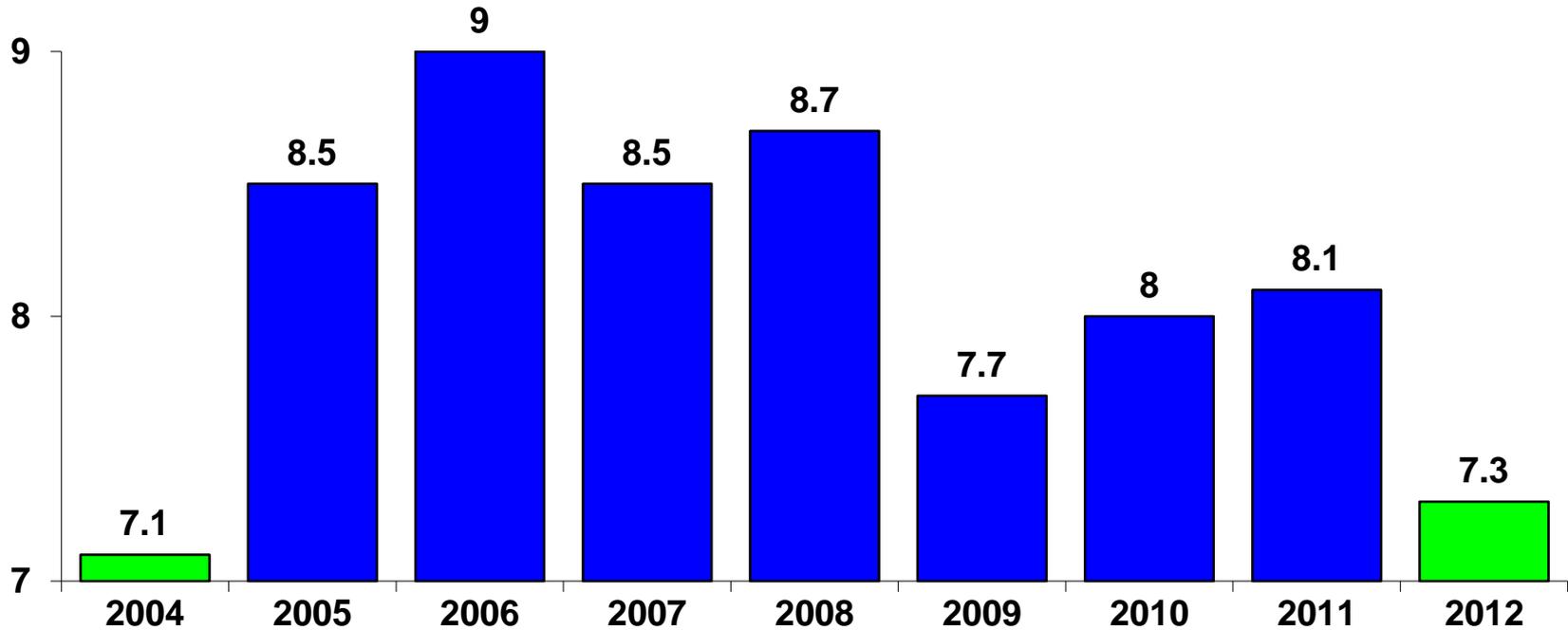
Global private equity uncalled funds



Source: PEGCC.

Target companies are relatively underpriced

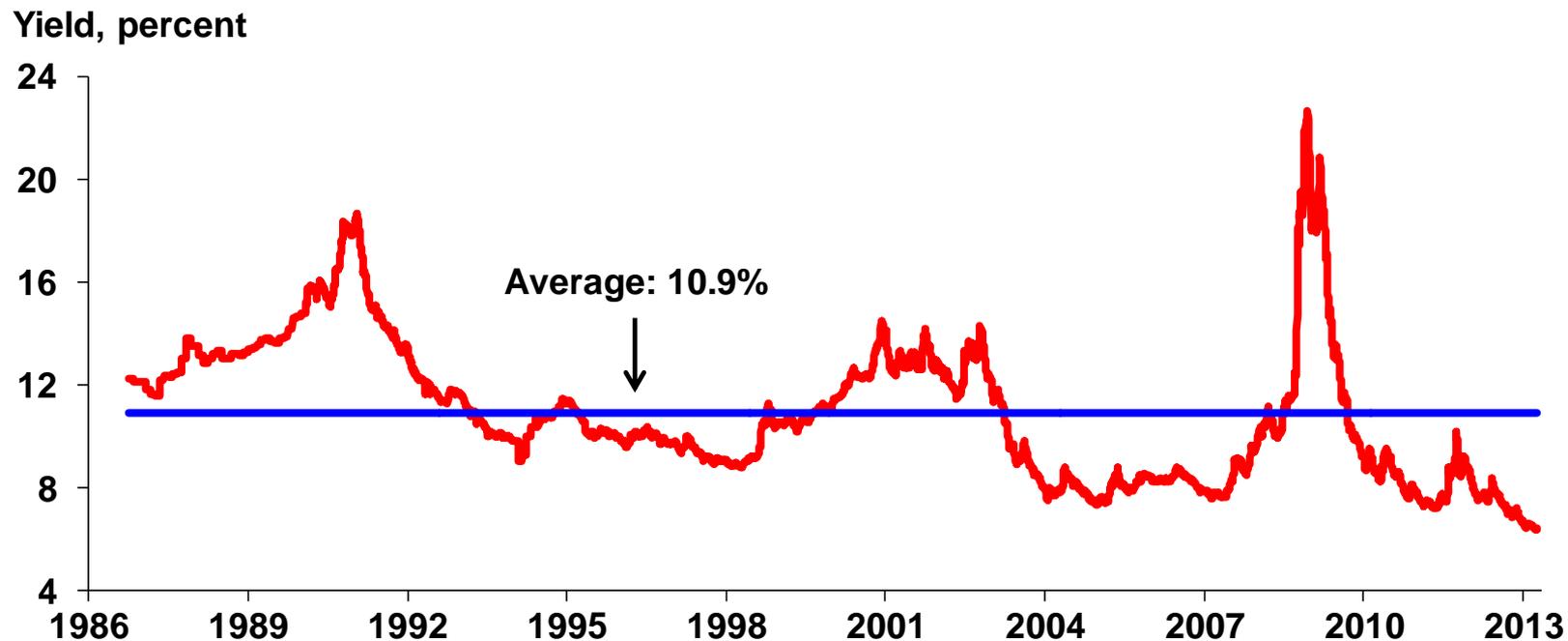
Buyout purchase price multiples, valuation/EBITDA



Source: Preqin.

High-yield bond yields have hit record lows

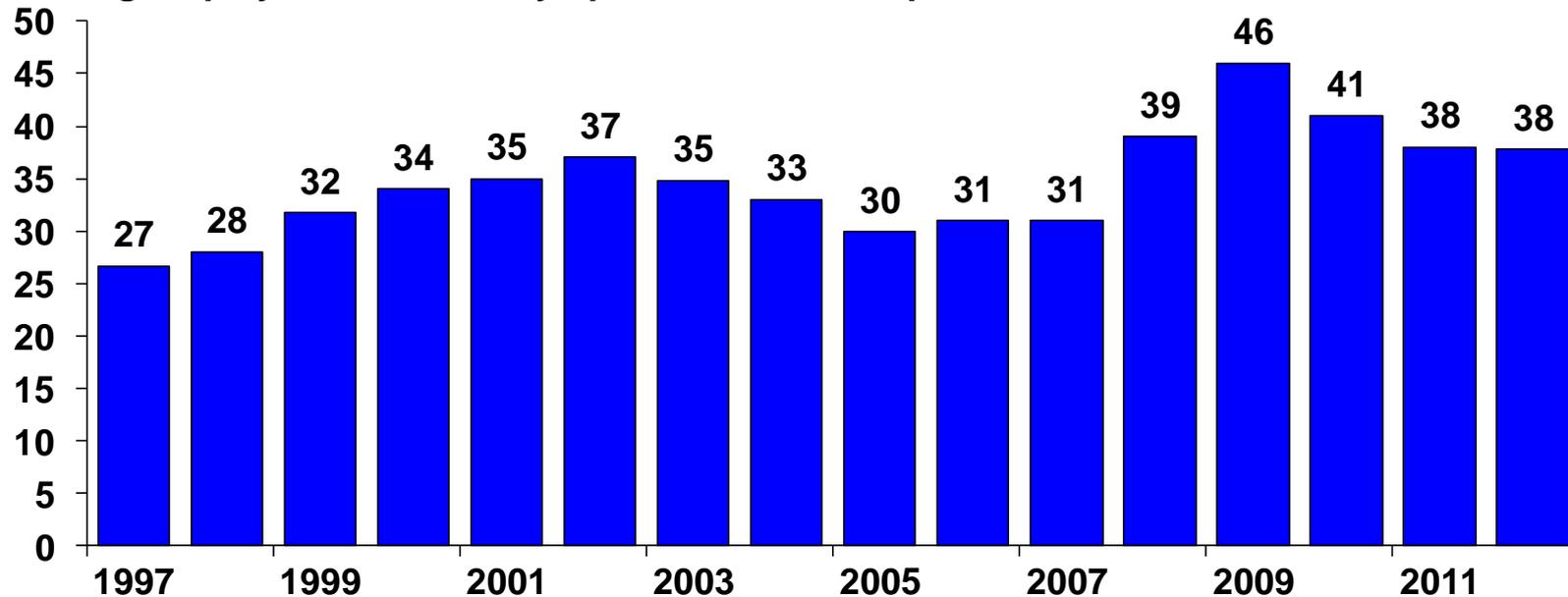
BofAML U.S. High Yield Master II



Source: Bloomberg; Milken Institute.

Equity contributions to LBOs are the lowest since 2007

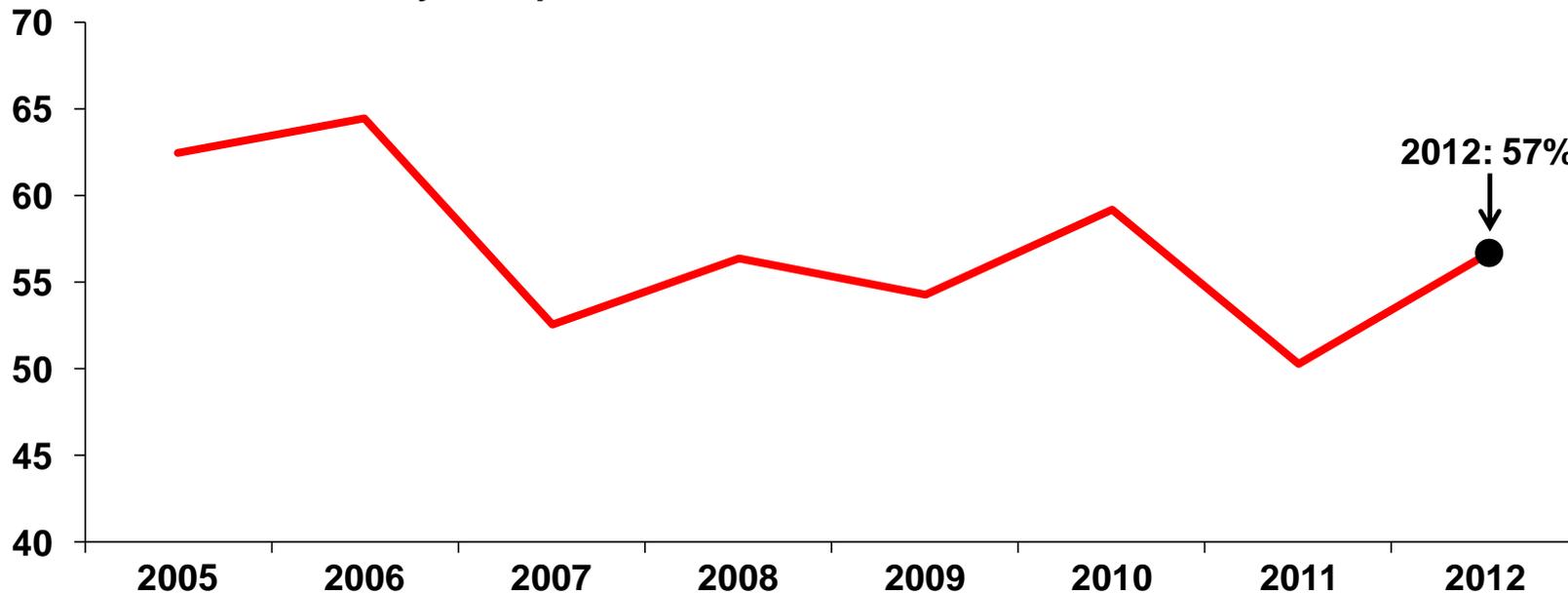
Average equity contribution by sponsors to LBOs, percent



Source: PEGCC.

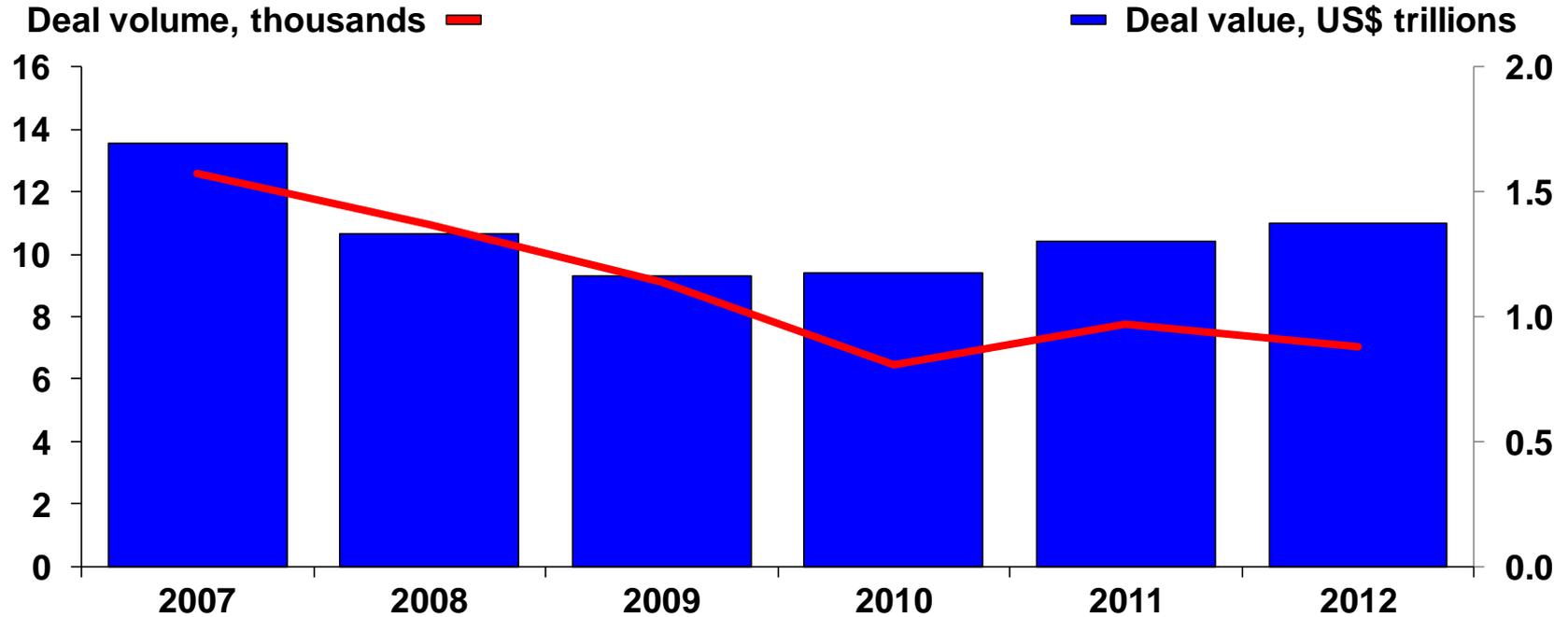
U.S. firms gained easier access to debt and use of leverage

Median debt used in buyouts, percent



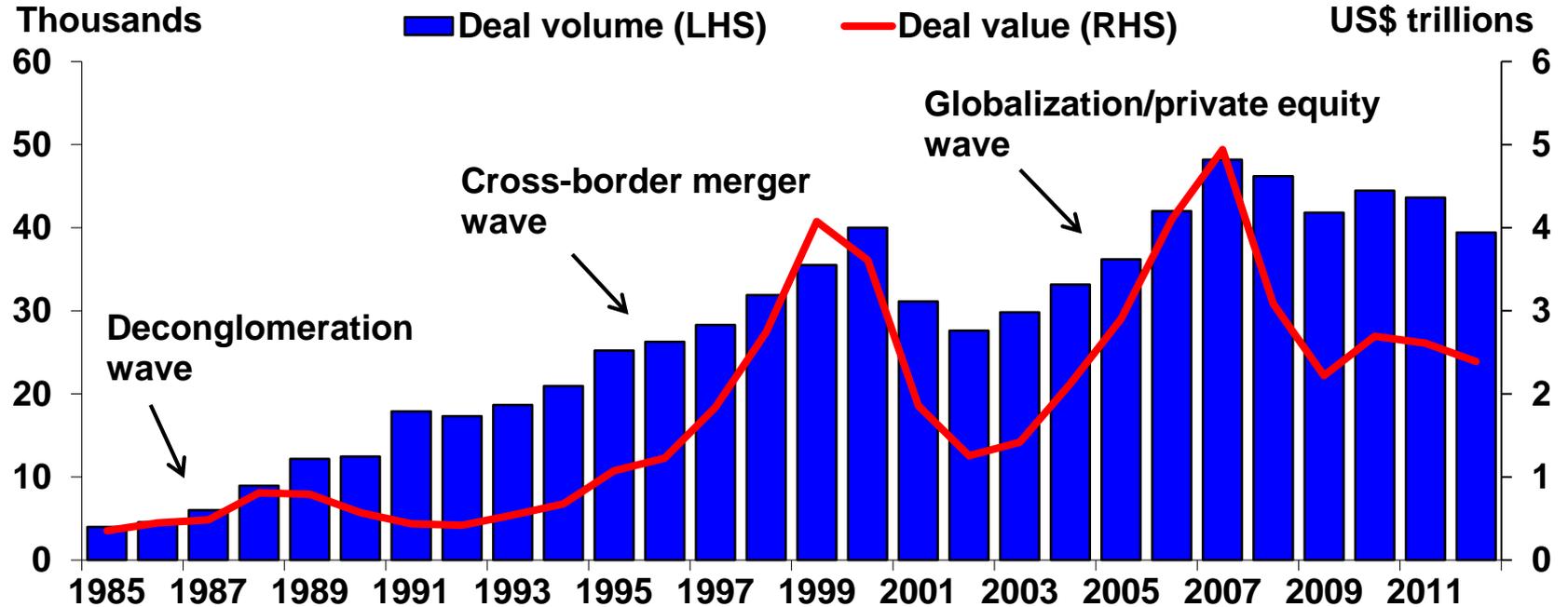
Source: Pitchbook; Milken Institute.

U.S. M&A activity



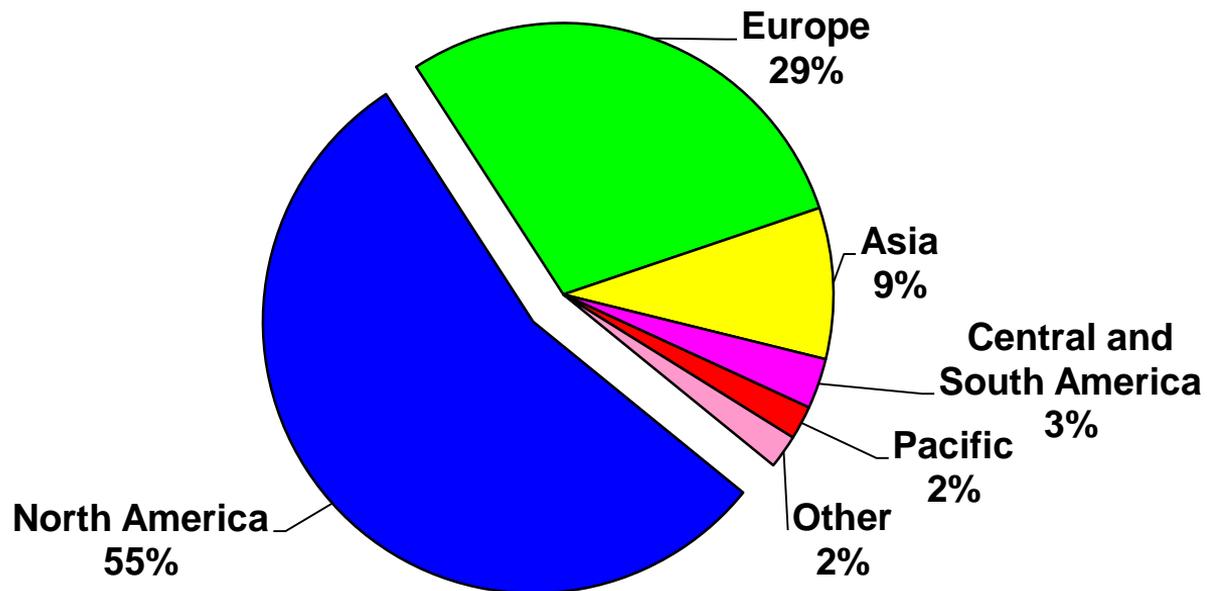
Source: Zephyr.

Global M&A activity



Source: Zephyr; Milken Institute.

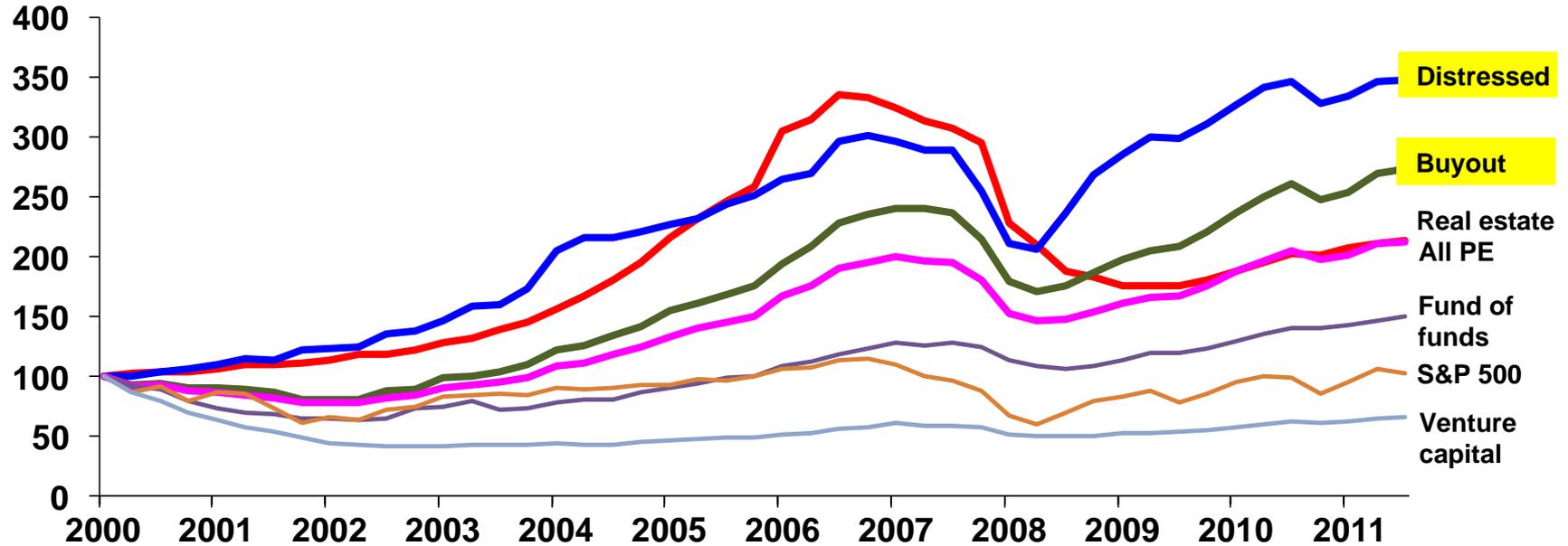
Private equity investment by region



Source: PEGCC 2011.

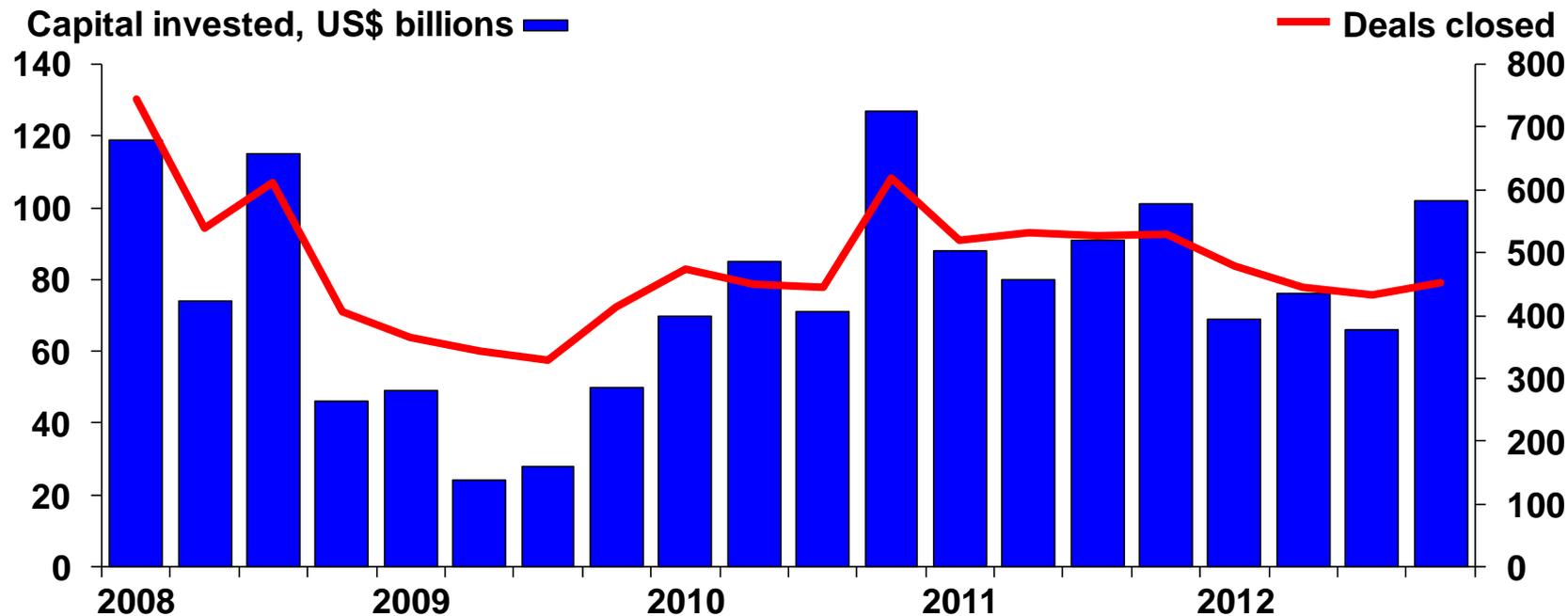
Distressed PE and buyout strategies have outperformed the broader private equity market

Private equity fund types, performance, Dec 2000 = 100



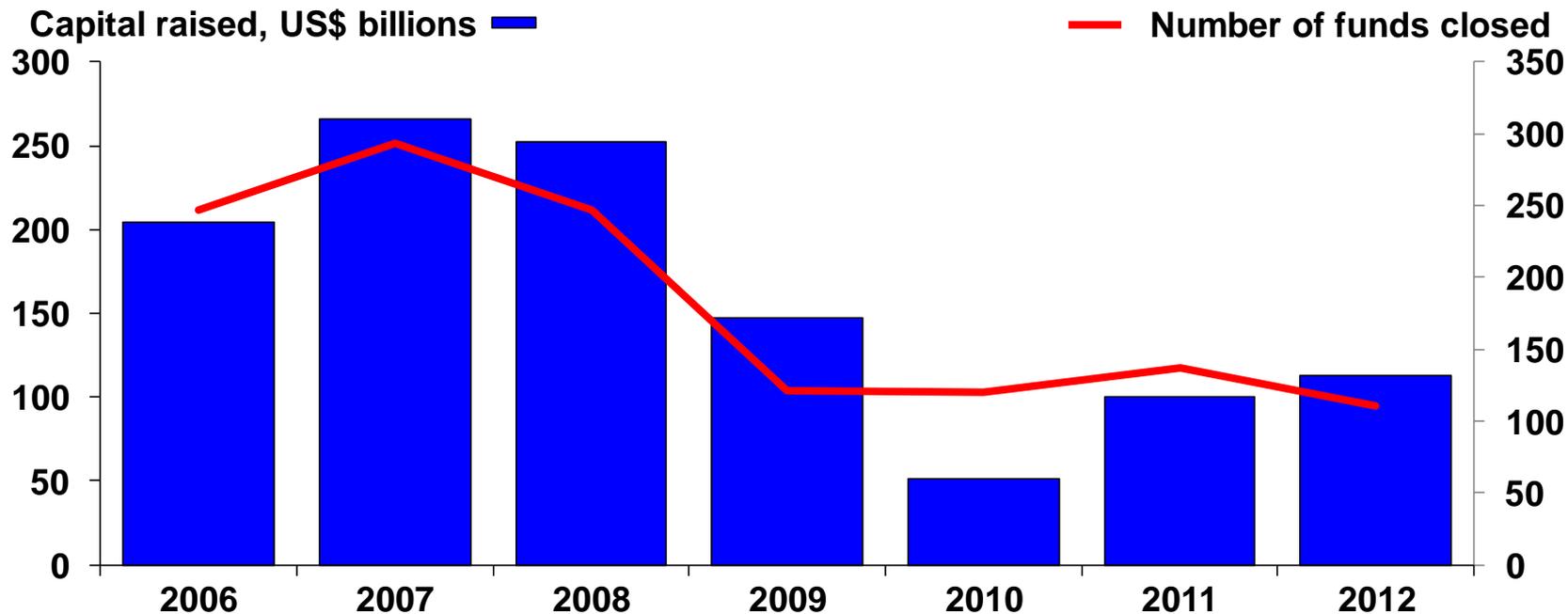
Source: Prequin; Milken Institute.

U.S. deals declined in 2012 before a buying spree in December

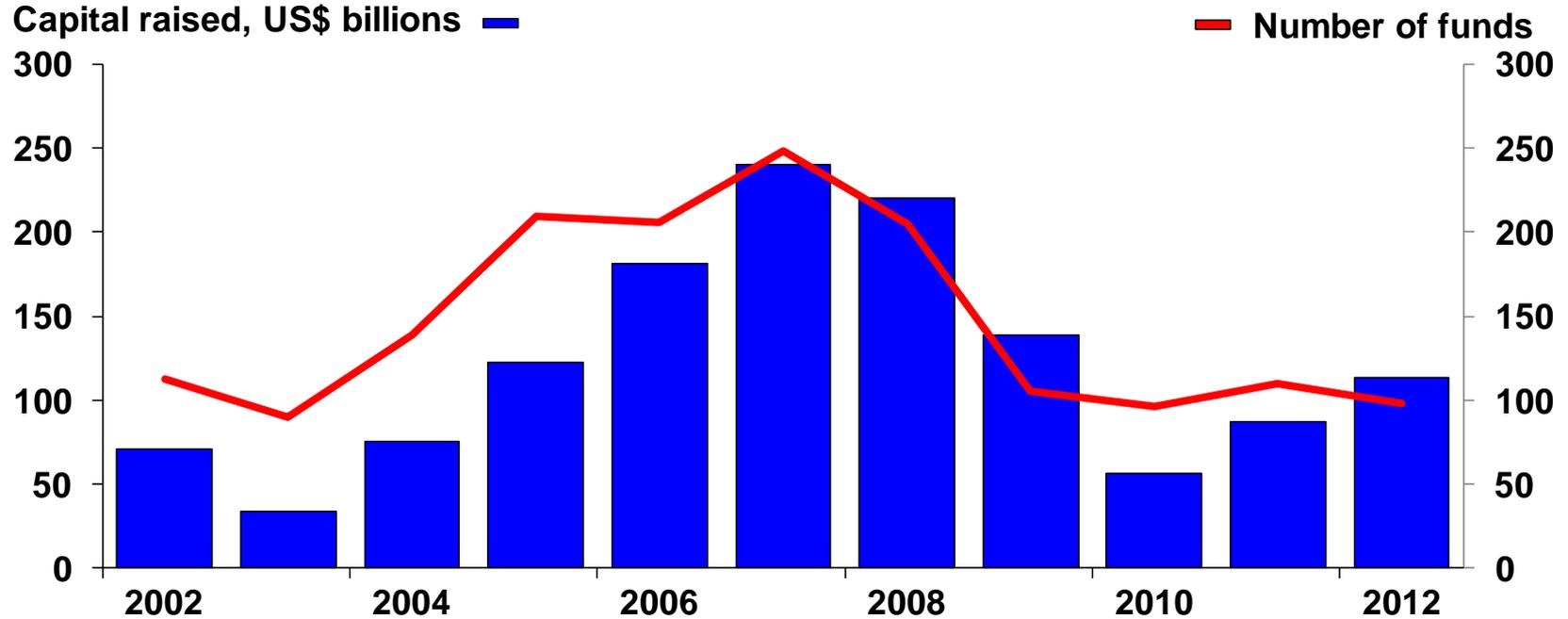


Source: Pitchbook.

Fewer funds closed, but more capital raised



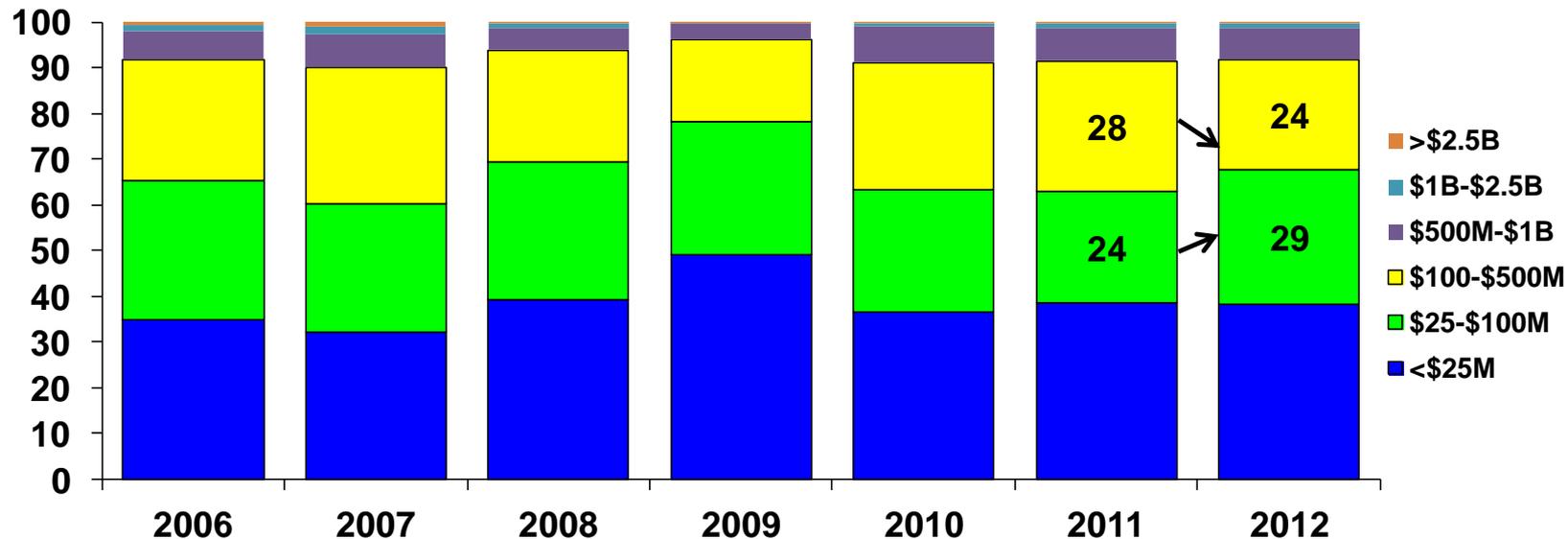
U.S. private equity fundraising



Source: Pitchbook.

Investors focused on smaller mid-market transactions?

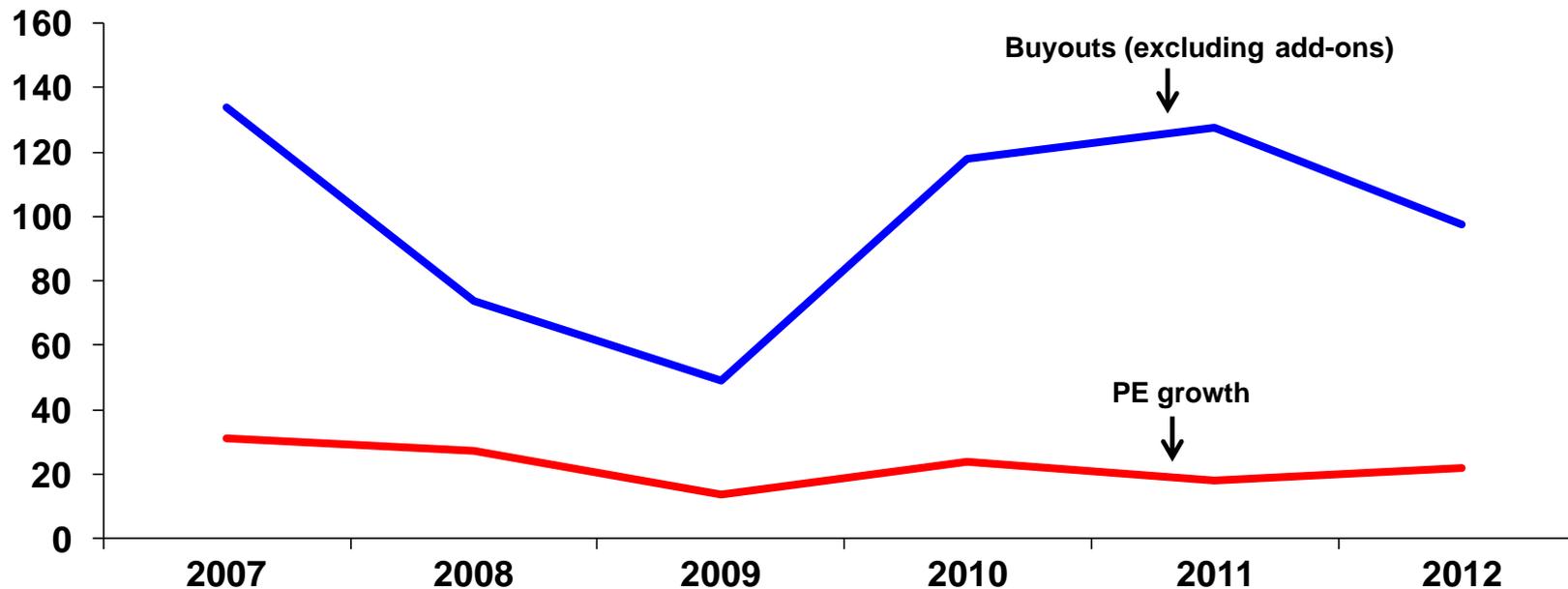
Number of investments by deal size, percent of total deal count



Source: Pitchbook.

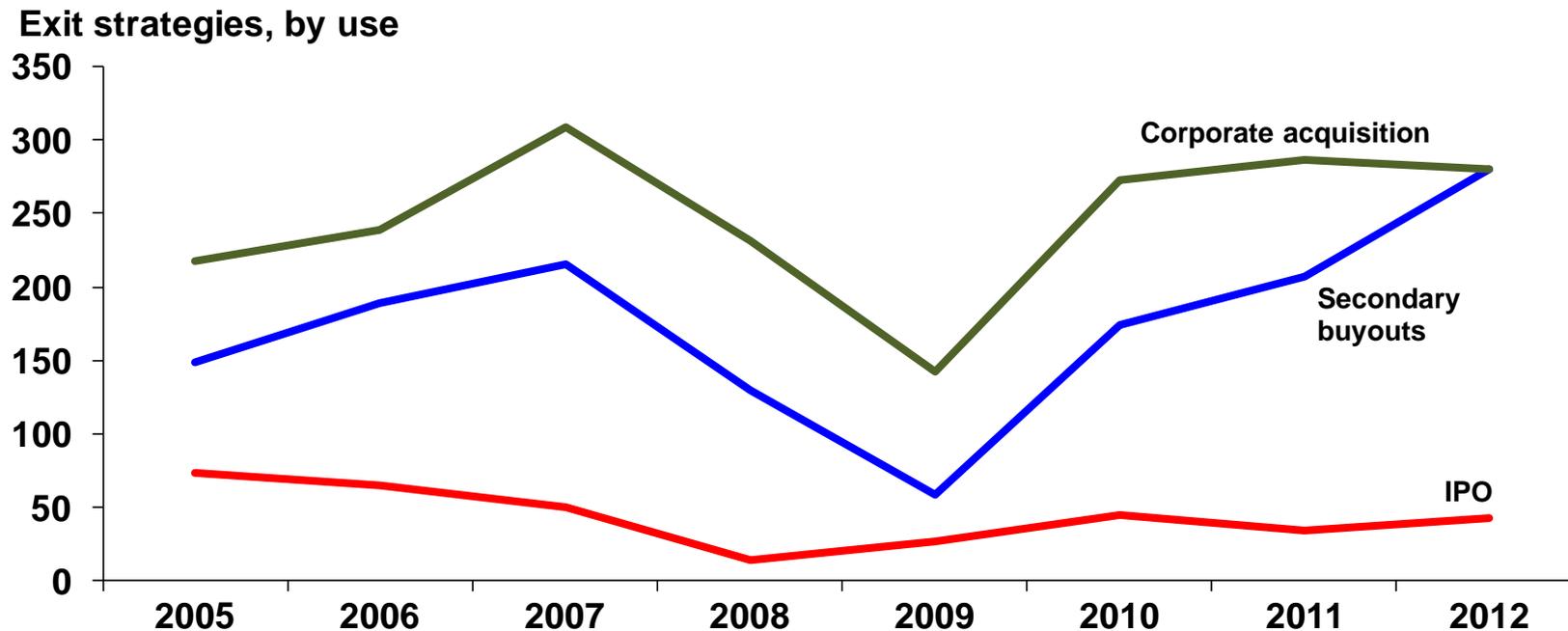
U.S. trend in 2012 was again towards smaller transactions

Median deal sizes, US\$ millions



Source: Pitchbook.

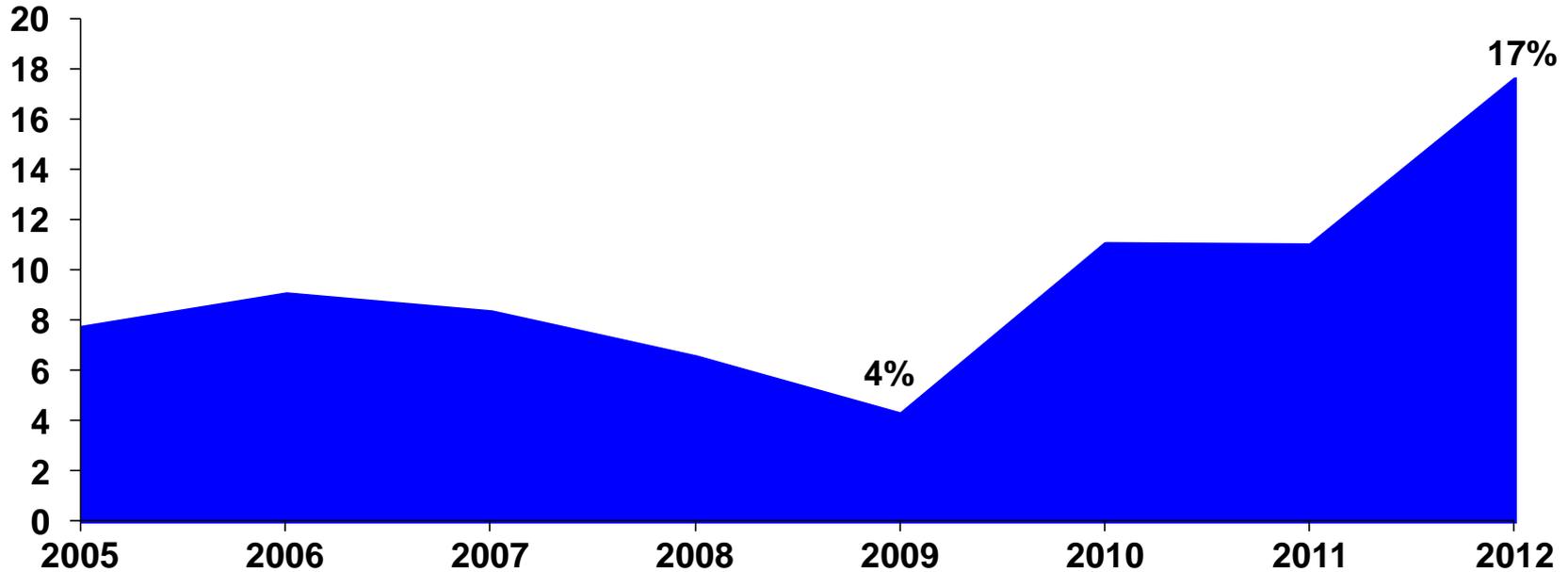
Secondary buyouts surpass corporate acquisitions as an exit strategy: can the IPO market be fixed?



Source: Pitchbook.

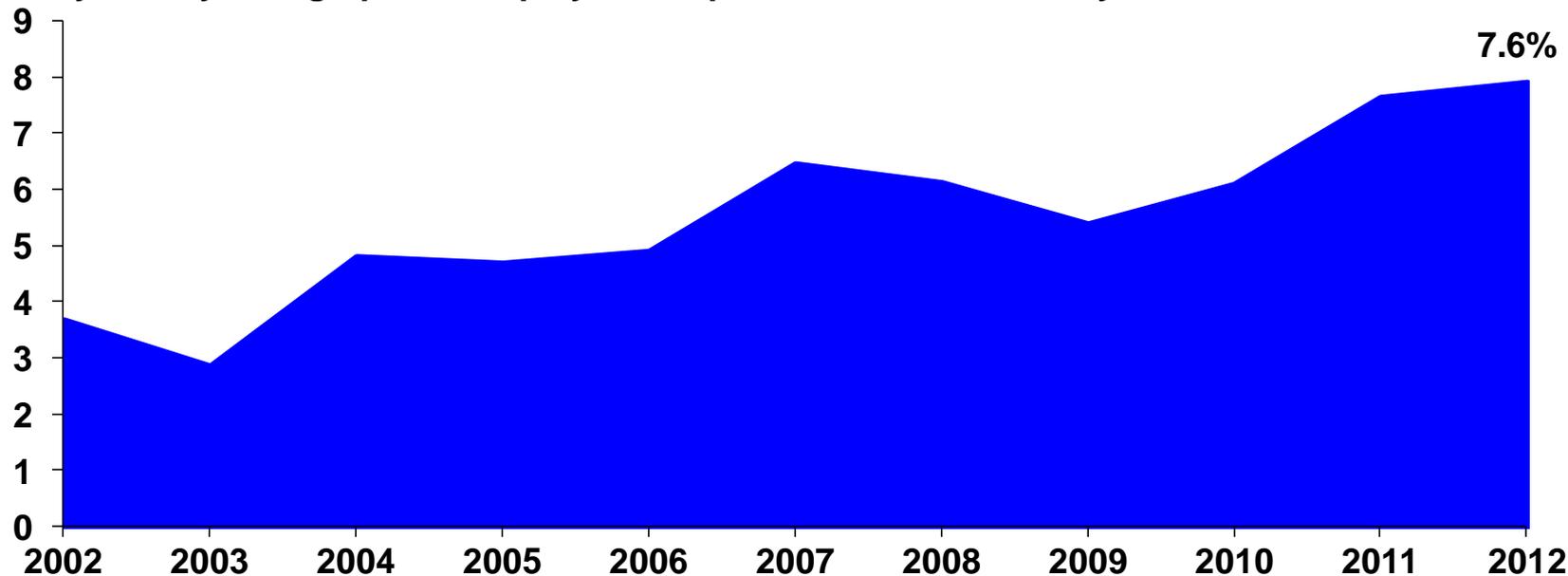
More firms are sourcing deals from one another

Secondary buyouts, percent of total buyouts



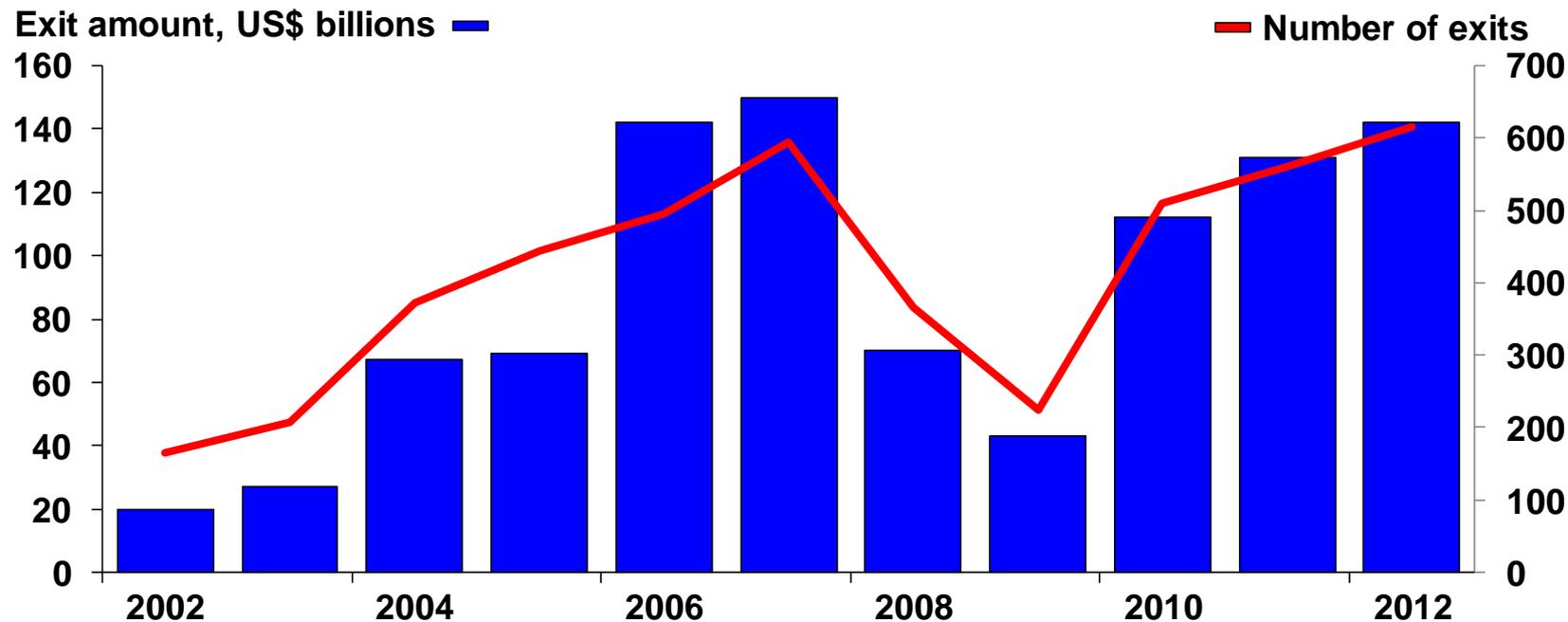
Foreign PE firm investments in the U.S. reach a record high

Buyouts by foreign private equity firms, percent of total U.S. buyouts



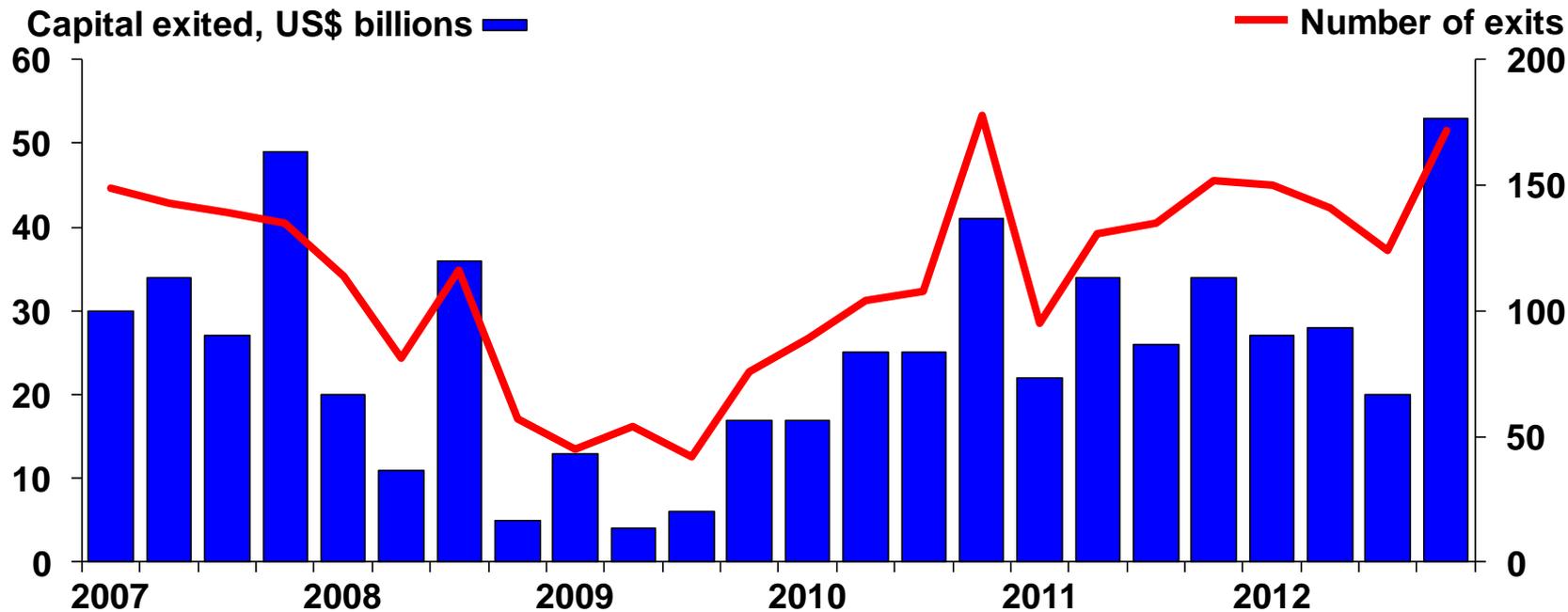
Source: Pitchbook.

U.S. private equity exits



Source: Pitchbook.

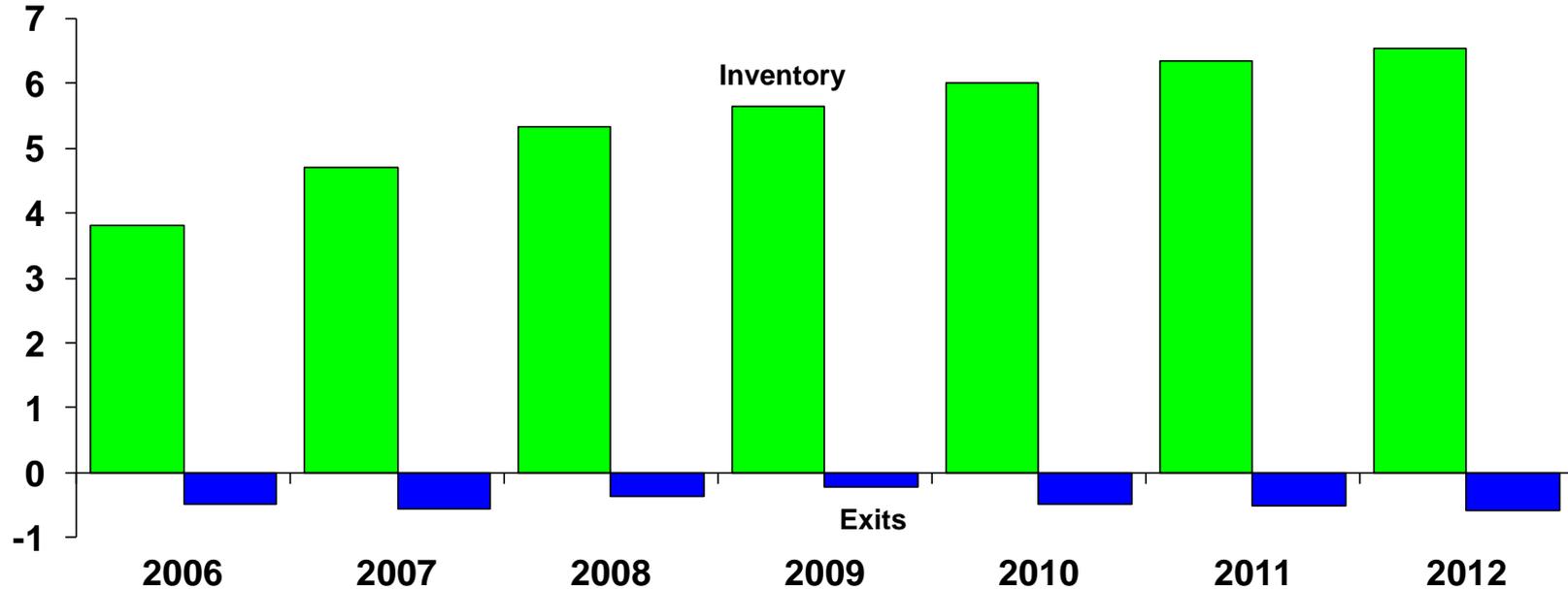
U.S. private equity exits



Source: Pitchbook.

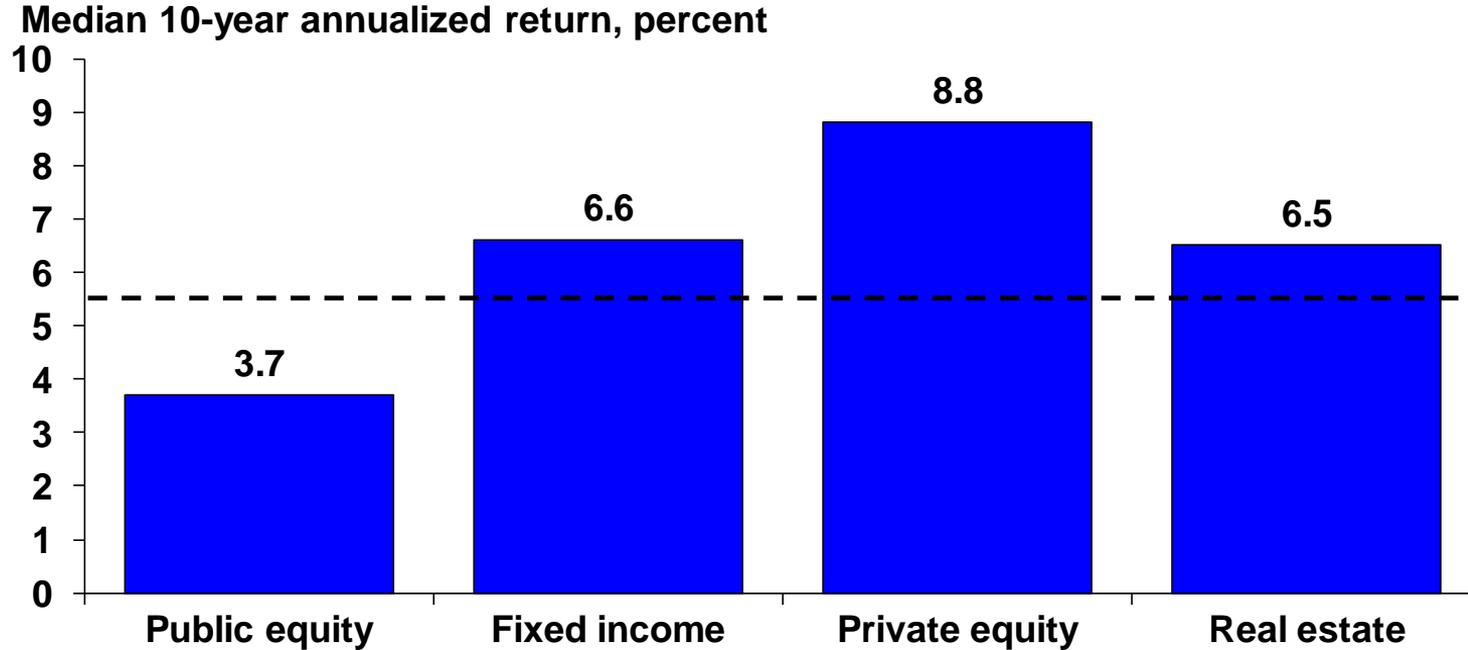
Deal pipeline continues to grow

Inventory of PE-backed companies vs number of exits, thousands



Source: Pitchbook.

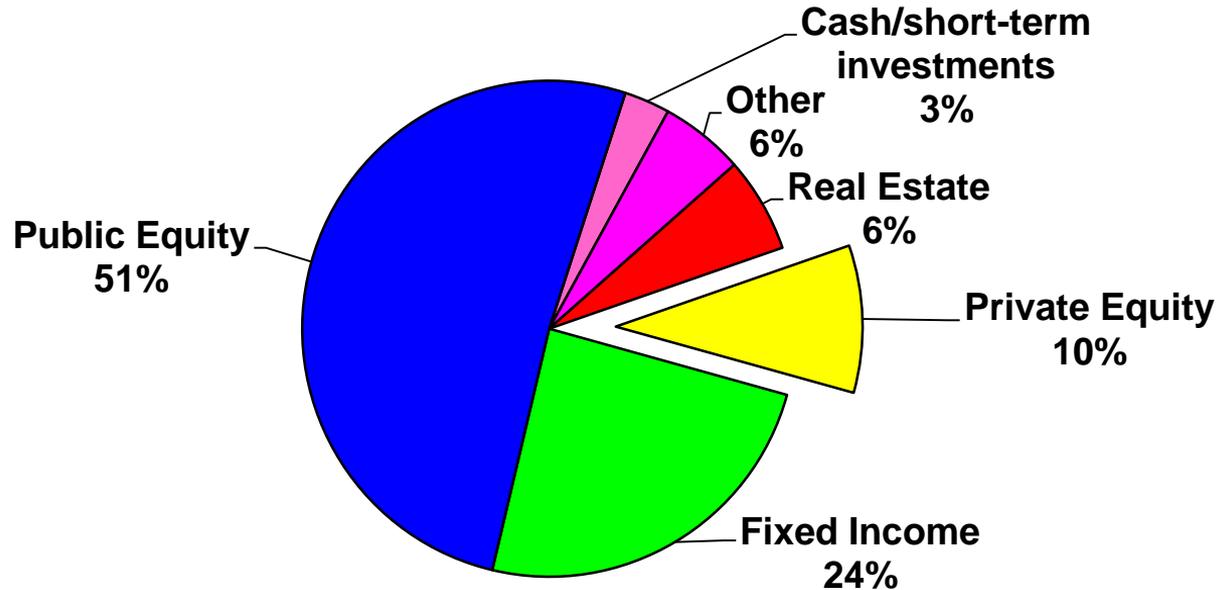
Pension fund returns from private equity



Source: PEGCC.

Pension fund asset allocations

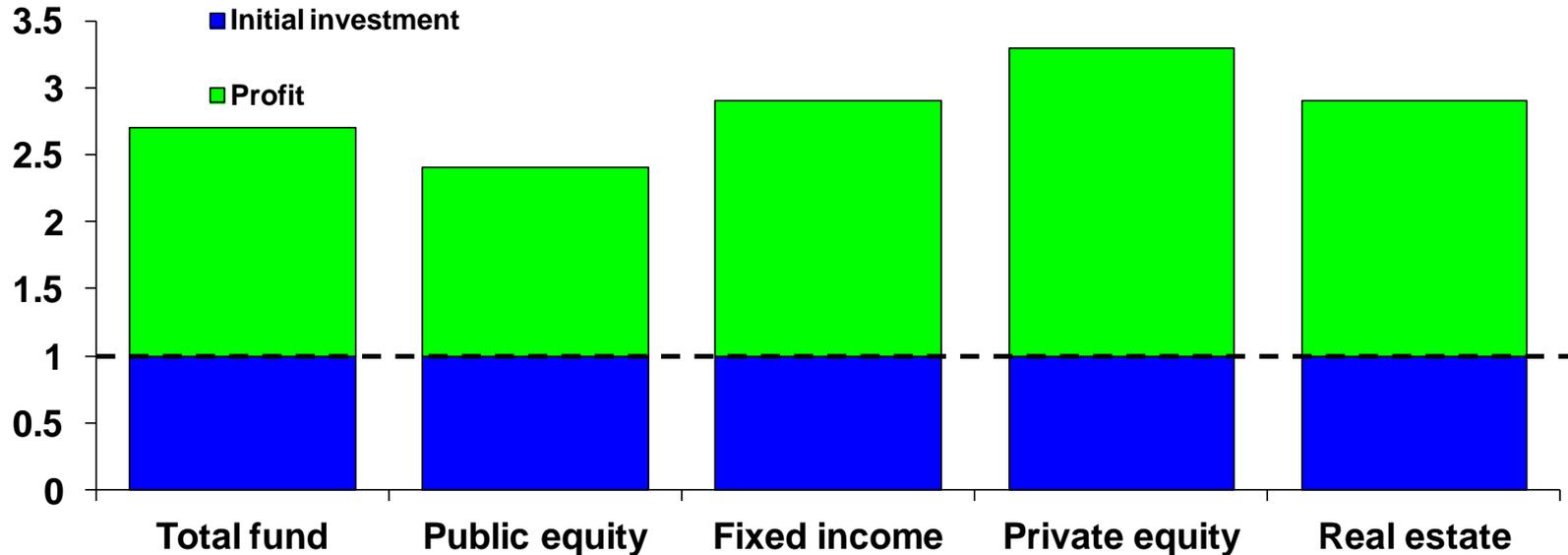
Percent of total invested, 2010-2012



Source: PEGCC.

Private equity returns have been rewarding for pension funds

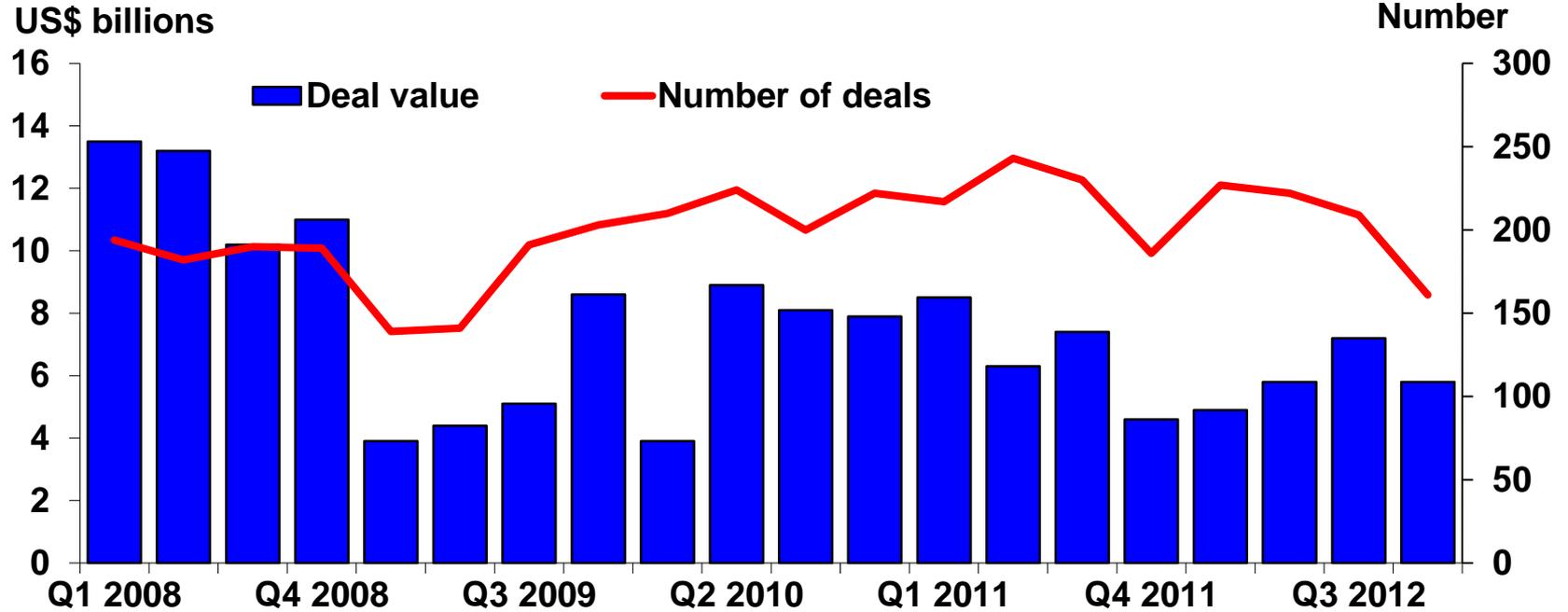
Return from \$1 investment, US\$



Source: PEGCC.

Emerging market PE deal values still in post-crisis slump

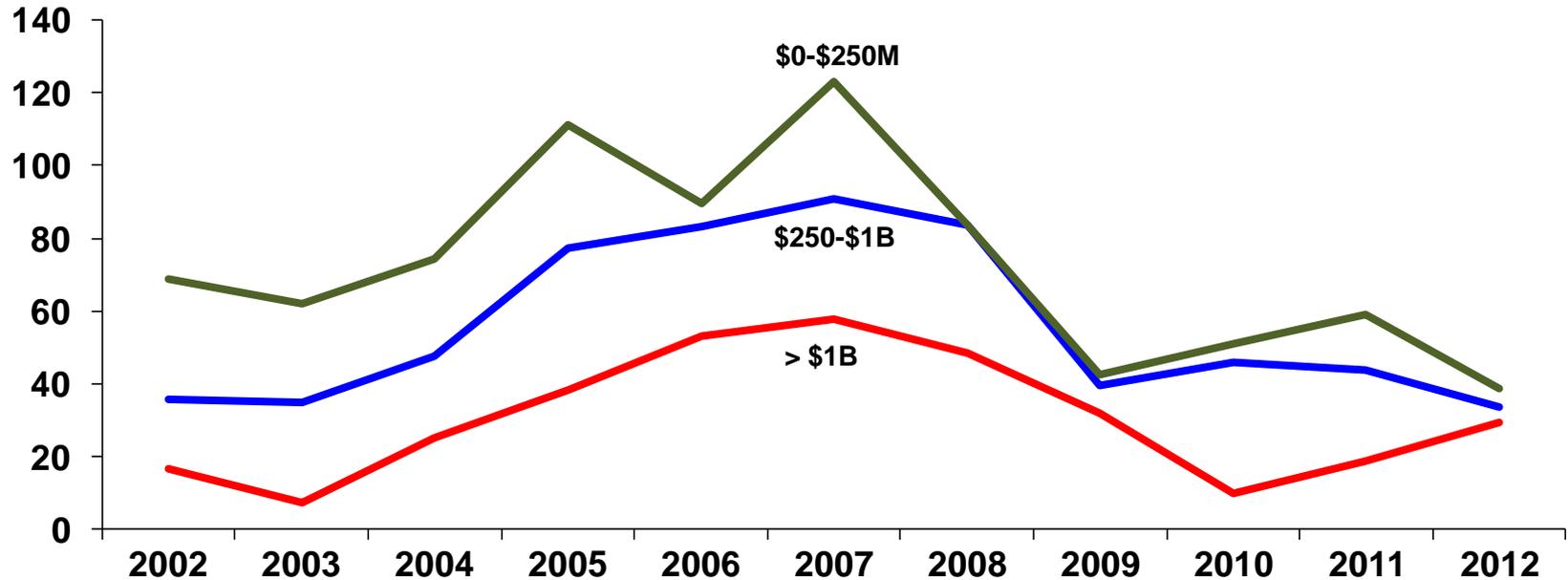
Emerging market PE investment volume by quarter



Source: Emerging Market Private Equity Association.

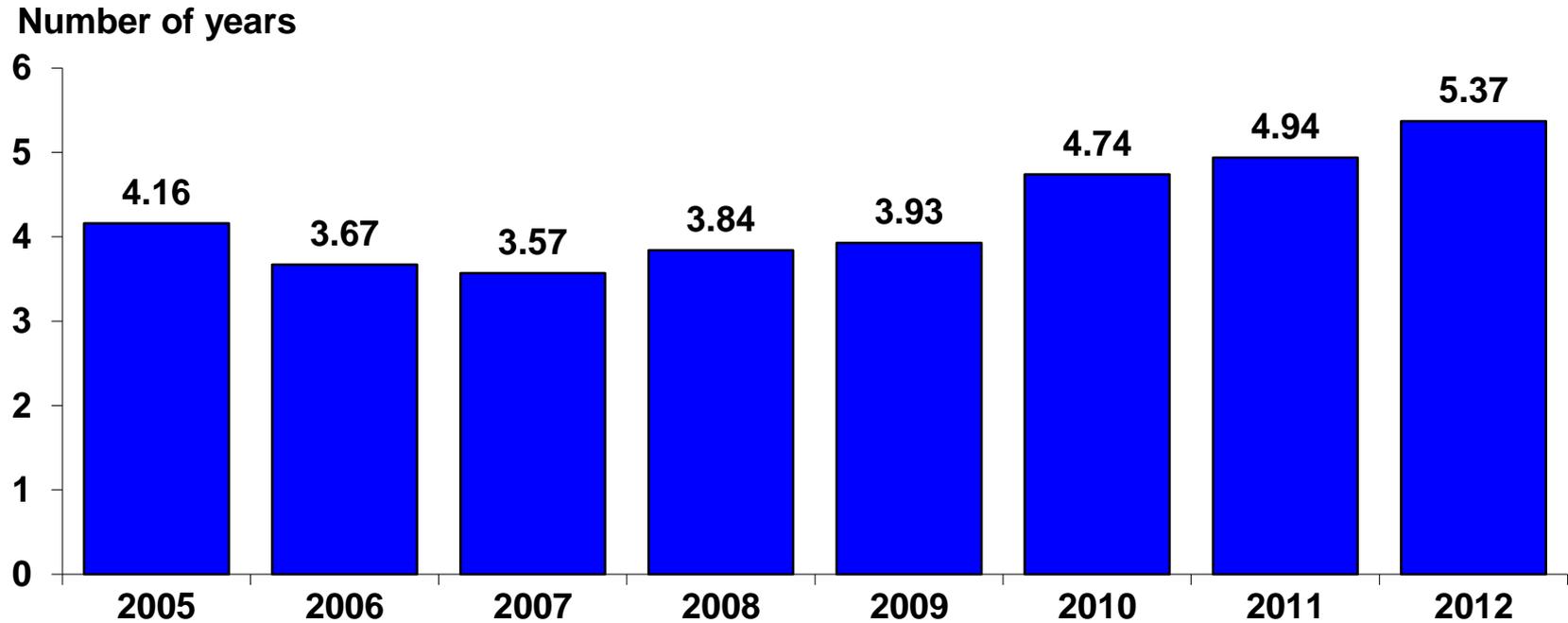
Investors have returned to big funds

Number of funds by fund size



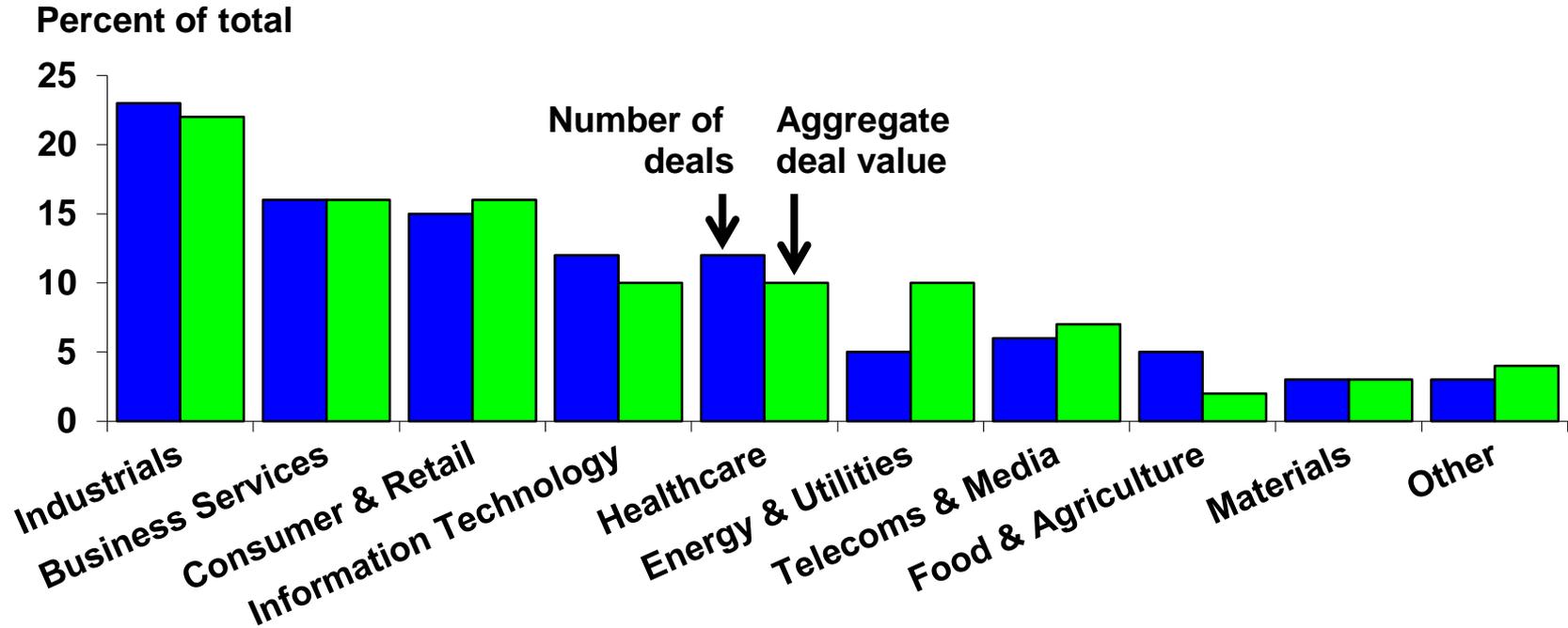
PE investment holding time increases

Median holding period by exit year



Source: Pitchbook.

PE-backed buyout deals by industry



Source: Preqin.